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FY89 REPORT TO THE GREAT AND GENERAL COURT OF THE COMMONWEALTH OF MASSACHUSETTS ON STANDARD BUDGETS OF ASSISTANCE FOR THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM

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EXECUTIVE SUMMARY

The following report presents the FY89 Standard Budgets of Assistance for a family of three receiving Aid to Families of Dependent Children (AFDC). The report examines both the adequacy of benefits for families receiving AFDC and efforts to prevent and alleviate homelessness in the Commonwealth.

- Updated Standard Budgets of Assistance. The Department of Public Welfare published the first study on the Standard Budgets of Assistance for families receiving AFDC in August 1986 and updated the original report in December 1987. The standards are based on components of a typical budget for a family of three. The Standard Budgets of Assistance have been updated for inflation in FY89 to:

FY89 Standard Budgets of Assistance

Living Arrangement	Standard
Public or subsidized housing	$9,922
Private, unsubsidized housing outside of Boston and not on Cape Cod	$11,708
Private, unsubsidized housing in metropolitan Boston or on Cape Cod	$12,570

- Benefits Available to AFDC Recipients Up 54% Since 1983. The Legislature and the Administration have worked together in the last six years to raise the level of benefits for families on AFDC. Since FY83, overall benefits for AFDC families have increased by 54%, while inflation has grown by only 30%. In addition, benefits for at-risk groups have been expanded to include:

  - health coverage through the CommonHealth program for disabled working adults, disabled children, pregnant women and young children, and families leaving welfare for employment;

  - cash and medical assistance for low-income women in their first and second trimester of pregnancy; and

  - eligibility for benefits to families whose children are temporarily placed in state care.

- Benefits vs. the Standard Budgets of Assistance. Despite the progress made in recent years in improving the adequacy of AFDC benefits, current AFDC and Food Stamp benefits do not meet the Standard Budgets of Assistance. Comparisons of the benefits available to AFDC families and the Standard Budgets of Assistance include only AFDC benefits and Food Stamps. AFDC families may be eligible for and receive a variety additional of benefits, but only AFDC and Food Stamp benefits are received by nearly all AFDC recipients. As the chart below demonstrates, AFDC benefits plus Food Stamps are between 72% and 81% of the standards, depending on living arrangement.

AFDC Benefits vs. Standard Budgets of Assistance for a Family of Three

Living Arrangement	AFDC and Food Stamp Benefits	FY89 Standards	Benefits as a Percentage of Standards
Public and Subsidized Housing	$8,040	$9,922	81%
Private Housing Outside Boston and Cape Cod	8,988	11,708	77%
Private Housing In Boston and on Cape Cod	8,988	12,570	72%

- Efforts to Prevent and Alleviate Homelessness. The problem of family homelessness is increasing, driven in large part by a lack of affordable low-income housing. A principal factor in this shortage is the significant reduction of federal support for new low-income housing. For example, in FFY79 the federal government added 15,000 subsidized units to the Commonwealth's low-income housing stock; by FFY87, however, new federal production has decreased to less than 2,000 units. In response to the increased incidence of family homelessness, the Commonwealth has substantially increased its efforts to prevent and alleviate homelessness, including:

  - increasing by 67% to over 105,000 the number of subsidized housing units committed to by the Commonwealth since 1983;

  - preventing more than 32,000 AFDC families from becoming homeless in FY88 alone, through the use of Emergency Assistance benefits such as payments for rent and utility arrearages to help clients maintain their housing and advance rent and security deposits to help families obtain new housing before becoming homeless;

  - placing more than 8,800 homeless families back into permanent housing, through the Welfare Department's housing search program since the beginning of FY86; and

  - creating a network of 100 homeless shelters to provide emergency shelter for families and individuals who do become homeless, including 68 shelters that serve families.

  Despite the Commonwealth's efforts to prevent homelessness, the Welfare Department expects to serve more than 6,000 homeless families this year. Increased efforts beyond those initiatives which the Welfare Department is authorized and funded to carry out will be necessary to solve this problem.

- Conclusion. The Department of Welfare faces a dilemma in fulfilling its obligations under G.L. c.18, § 2 (B) (g) and c.118, § 2 within existing appropriations. To provide AFDC benefits at the levels of the Standard Budgets of Assistance, the AFDC payment and need standards would have to be increased by 47% to 74%, depending on living arrangement. The Department is neither authorized to raise benefits to these levels, nor has sufficient funding been provided for this purpose in the FY89 budget.

  Although AFDC benefit levels contribute to the problem, family homelessness is largely due to the scarcity of affordable low-income housing. A principal factor in this problem is the significant reduction in federal support for new low-income housing. The Commonwealth has intensified its efforts to address this problem; however, the number of homeless families continues to increase. The fundamental lack of affordable housing cannot be addressed within the Department's authority and funding.

  In compliance with the Supreme Judicial Court's decision, the Department requests that the Legislature provide a solution to these dilemmas.

FY89 Report on Standard Budgets of Assistance
For The Aid To Families With Dependent Children Program

I. INTRODUCTION

A. Legal Background

The Department of Public Welfare submits this report in accordance with G.L. c.18, §2 (B) (g) and c.118, §2 and the decision of the Supreme Judicial Court in Coalition for the Homeless v. Secretary of Human Services, 400 Mass. 806 (1987).

Under G.L. c.18, §2 (B) (g), the Department has the duty to review annually the adequacy of its standard budgets of assistance in the Aid to Families with Dependent Children (AFDC) program. In formulating the annual standards the Department must establish amounts which satisfy the requirement of G.L. c.118, §2 that the amounts are sufficient to enable AFDC parents to bring up children properly in their own homes.

The amounts actually paid to AFDC families are determined by the Legislature each year when, in line item 4403-2000 of the general appropriation act, the Legislature establishes the "standard of need" and the "standard of payment". Although AFDC is a joint federal and state program, states have considerable discretion in setting the standards of need and payment.

In accordance with the decision of the Supreme Judicial Court, the Department, in order to conduct a meaningful review under G.L. c.18, §2 (B) (g), "must issue a written report which shall either provide or permit a comparison in dollars between standard budgets of assistance of each successive year and which shall discuss the adequacy of AFDC grant levels in comparison with the standard budget or budgets of assistance and with changes in the consumer price index."

The Court recognized that the Department may be confronted with a dilemma in dealing with the level of AFDC payments authorized by the budget and its duty under c.118, §2 to provide aid sufficient to enable AFDC parents to bring up their children properly in their own homes. The Court required the Department to respond to this dilemma as follows: "If in any year the department concludes that the funds appropriated for AFDC purposes are insufficient to permit it to furnish that level of financial aid which §2 directs it to provide, the department has an obligation to bring its inability to comply with the payment level described in §2 to the attention of the Legislature and to ask that it appropriate an adequate sum or that it provide some other solution to the dilemma".

The Court held that the Department, in determining whether sufficient funds have been appropriated to give financial assistance at the level required by §2, may consider the assistance provided to parents with dependent children not only through AFDC but also through other financial assistance programs, such as Food Stamps, energy assistance, and public or subsidized housing programs.

Finally, the Court held that the Department has an obligation under c.118, §2 to provide aid sufficient to permit AFDC families to live in a home and that furnishing accommodations in hotels, motels and emergency shelters does not fulfill the Department's duty under §2. "While the provision of temporary emergency housing for homeless families is a necessary component of any plan to combat homelessness, housing families for extended periods in the conditions of shelters and motels is not an adequate substitute for the permanent, stable home environment contemplated by G.L. c.118. §2."

The Court noted: "[A]s long as G.L. c.118, §2, directs the department to provide aid sufficient to enable AFDC families to have homes, and not just necessities, the department must reasonably seek to fulfill its obligation with such funds as are available for the purposes. If funds appropriated for the purpose are insufficient or if there are no such appropriated funds, the Department should advise the Legislature and either seek an appropriation to cover the apparent deficiency or request the Legislature to take some other action that will eliminate the problem."

B. The Aid to Families with Dependent Children (AFDC) Program

The Aid to Families with Dependent Children (AFDC) program is a 50% federally funded, state administered program which provides benefits to families and children with little or no assets and income. In order to qualify for assistance through AFDC, a family must include children deprived of support by an absent, deceased, incapacitated or unemployed parent. In addition, women in their third trimester of pregnancy with no dependents can also receive AFDC benefits. Massachusetts also provides 100% state-funded aid to pregnant women in their first and second trimesters of pregnancy at AFDC benefit levels. All AFDC recipients must meet income and asset requirements.

A typical AFDC family consists of a single woman and two children with no income other than AFDC benefits and food stamps. The maximum monthly AFDC grant for such a family is $539, plus a $40 rent allowance for families in private, unsubsidized housing (the majority of AFDC cases), for a total of $579. In addition, a family of three will receive approximately $145 in federal Food Stamp benefits each month. Other benefits include health services through the Medicaid program, an annual $150 clothing allowance for eligible dependents, and Emergency Assistance services for families at risk of becoming homeless.

C. Characteristics of AFDC Families

In order to evaluate the adequacy of benefits for AFDC families, it is important to understand certain characteristics of these families. Living arrangement, housing type, and geographic location play a significant role in determining the needs of families throughout the Commonwealth. In this report, the Standard Budgets of Assistance and available benefits are evaluated on the basis of these characteristics.

- Household Composition - Although a majority of the approximately 85,500 AFDC households are families, the program also serves two other groups: "child-only" cases, in which only children, who are living with another household, are eligible for assistance; and pregnant women in their third trimester. (Pregnant women in their first or second trimester receive AFDC-level benefits funded entirely at state expense, while women in the third trimester of pregnancy receive benefits through the federally reimbursed AFDC program.) As the chart below shows, pregnant women and child-only cases make up 9,500 cases, or approximately 11% of the caseload. The other 89% of AFDC cases consists of families with dependent children, primarily single parent families.

AFDC Caseload
Household Composition

Total AFDC Caseload	85,500*
Less Child-Only Cases	(7,900)
Less Pregnant Women with No Dependents	(1,600)
Typical AFDC Families	76,000

* As of 10/88, does not include 800 cases funded entirely at state expense. These cases include women in the first or second trimester of pregnancy with no other dependents and families receiving Family Reunification Benefits.

- Housing Type and Location - In addition to variations in household composition, AFDC clients' needs vary as a result of housing type and location. Clients in public or subsidized housing pay a maximum of 30% of their income for rent, while clients in private housing are required to pay market rents. Moreover, clients who live in metropolitan Boston and on Cape Cod are likely to pay higher housing costs than clients in other areas of the state. The chart below shows the distribution of AFDC clients by housing type and location.

AFDC Caseload
Housing Type and Location

	Percent*
Private Housing, Metro Boston and Cape Cod	30%
Private Housing, Outside Boston	40%
Subsidized Housing Across the State	30%

* Based on the breakdown of 120,000 families receiving AFDC in FY88.

D. Contents of the Report

The remainder of this report is divided into four sections:

- A review and update of the Standard Budgets of Assistance;
- An overview of the benefits available to AFDC recipients;
- A review of the progress made in improving the adequacy of benefits; and an assessment of the dilemma between available benefits and the Standard Budgets of Assistance; and
- An overview of the Commonwealth's efforts to prevent and alleviate homelessness.

II. REVIEW AND UPDATE OF THE AFDC STANDARD BUDGETS OF ASSISTANCE

A. FY88 Standards

This study is the third report on the Standard Budgets of Assistance completed by the Department of Welfare. The first report, released in August 1986, formulated three Standard Budgets of Assistance for AFDC families for FY87. The standards were based on the components of a typical budget for a family of three, including: shelter, utilities, food, clothing, personal care, transportation, household operation and furnishings, and other items. Of the eight components, shelter and utility costs generally represent the most significant strain on families with limited resources. Moreover, these costs vary markedly by shelter type and location. To reflect this variation, the Department constructed three standards to approximate living expenses for families:

- in public or subsidized housing,
- in private housing outside the greater Boston area and Cape Cod, and
- in private housing in metropolitan Boston or on Cape Cod.

The Standard Budgets of Assistance for these three living arrangements were established in FY87 as $7,745, $10,373, and $11,117 per year, respectively. They were updated in FY88 to $9,430, $10,920, and $11,705 per year, respectively.

B. The Complexity Involved in Formulating AFDC Standard Budgets of Assistance

Setting one standard for the "typical" AFDC household is an extremely difficult and complex task. Like the population as a whole, AFDC families have a range of needs that varies household by household.

As noted, the largest single expense AFDC families face is housing. While the three standards promulgated in FY88 capture the overall variation in housing costs between subsidized and non-subsidized housing, and between living in metropolitan Boston and Cape Cod and living outside metropolitan Boston or Cape Cod, they do not account for other sources of variation. For example:

- In reality, housing costs are different in every Massachusetts community.

- Approximately 7,900 AFDC households (9%) consist of children only cases. An additional 2% of AFDC families live with another household and, therefore, may pay little or no shelter expenses. These families usually have lesser housing and utility needs than families living by themselves.

- Although about 30% of all AFDC families live in subsidized housing, even among this group housing needs vary. Families in federally subsidized housing generally pay a maximum of 30% of their income for rent, while families in state subsidized housing generally pay only 25% of their income for rent.

- Families who live in the same apartment for a number of years are likely to pay lower rents than families who have moved recently. For example, a family living in the same apartment in East Boston for seven years pays much less than a family moving every couple of years in a neighborhood like Jamaica Plain.

Similarly, the needs of AFDC families with respect to the other components of the Standard Budgets may vary depending on other family circumstances.

C. FY89 AFDC Standard Budgets of Assistance

The following pages contain the updated Standard Budgets of Assistance. Each of the components in the Standard Budgets has been adjusted for inflation as indicated by the Boston Consumer Price Index (CPI). The Boston CPI, which is calculated by the federal Bureau of Labor Statistics, measures inflation on a component by component basis for the Boston metropolitan area. Increases in relevant components of the Boston CPI ranged from less than 2% for personal care items to over 14% for clothing.

Overall, the two budgets for families in unsubsidized housing are 7% higher than last year, as a result of using component by component inflation factors.

Since residents of subsidized housing are required to pay up to 30% of their total income for rent, the subsidized housing standard includes a component for the public housing contribution that equals 30% of the total Standard Budget of Assistance. As a result, this component of the subsidized housing standard was not updated using the Boston CPI. In addition, the subsidized housing standard includes a utility component to account for the utility expenditures above 30% of income that families in subsidized housing recipients often pay. The Standard Budget of Assistance for families in subsidized housing is 5.2% higher than last year.

While none of the three Standard Budgets of Assistance include a health care component, the Medicaid program provides for AFDC families' health care needs. AFDC families are categorically entitled to Medicaid benefits under federal and state law. In FY89, the Welfare Department will spend an estimated $3,700 per household on Medicaid services for AFDC recipients.

PUBLIC AND SUBSIDIZED HOUSING ACROSS MASSACHUSETTS

FY89 Standard Budget of Assistance
(family of three)

	Standard
Public Housing Contribution	$2,977
Excess Utility Costs	960
Food	4,028
Clothing	634
Personal Care	113
Transportation	532
Household Operation and Furnishings	486
Other Items	192
TOTAL	$9,922

PRIVATE HOUSING OUTSIDE OF METROPOLITAN BOSTON AND CAPE COD

FY89 Standard Budget of Assistance
(family of three)

	Standard
Shelter and Utilities	$ 5,723
Food	4,028
Clothing	634
Personal Care	113
Transportation	532
Household Operation and Furnishings	486
Other Items	192
TOTAL	$11,708

PRIVATE HOUSING IN METROPOLITAN BOSTON AND ON CAPE COD

FY89 Standard Budget of Assistance
(family of three)

	Standard
Shelter and Utilities	$ 6,585
Food	4,028
Clothing	634
Personal Care	113
Transportation	532
Household Operation and Furnishings	486
Other Items	192
TOTAL	$12,570

III. BENEFITS AVAILABLE TO AFDC FAMILIES

A. Available Benefits

As part of the Department's review of the AFDC Standard Budgets of Assistance, this report also examines the types and amounts of assistance currently available to AFDC families. By definition, all AFDC families are eligible for an AFDC grant. In addition, as a result of major program expansion that has occurred over the past six years, AFDC families now benefit from an array of AFDC-related services and cash assistance, including: an annual fall clothing allowance for children, a monthly rent allowance for families living in private, unsubsidized housing, Emergency Assistance (EA) for families in danger of becoming homeless, and monthly child support incentive payments. In addition to benefits provided through the AFDC program, many AFDC families are eligible for and receive a number of other benefits, most notably federally funded Food Stamps, fuel assistance, and housing subsidies.

AFDC Benefits

The Aid to Families with Dependent Children (AFDC) program is a program of assistance available to families who have at least one dependent child with an absent, deceased, disabled, or unemployed parent. Low income pregnant women with no other dependents are also eligible for AFDC. To qualify for AFDC, families must meet asset and income guidelines. Basic AFDC benefits include the following:

- AFDC Grant -- All families on AFDC receive a monthly grant which varies depending on family size. Effective July 1, 1988, the maximum monthly grant for an AFDC family of three (the average AFDC family size) is $539, or $6,468 annually.

- Rent Allowance -- Established by the Legislature in FY87, a rent allowance is available to AFDC clients who live in private, unsubsidized housing. The rent allowance is currently $40 per month, or $480 annually. Approximately 55% of all AFDC households will receive the rent allowance in FY89.

- Clothing Allowance -- All AFDC households eligible for assistance in September receive a clothing allowance of $150 per child. Minor parents are also eligible to receive the clothing allowance. A typical AFDC family of three (a mother and two children) receives a $300 clothing allowance payment.

In addition to basic AFDC benefits, the Legislature and the federal government have authorized other supplementary benefits and allowances which are provided through the AFDC program. These include:

- Emergency Assistance -- Through the Emergency Assistance (EA) program, a variety of special payments can be authorized for families facing a particular emergency such as homelessness. The EA program is one of the most successful tools available to help prevent families from becoming homeless. EA benefits available to AFDC families include:

    - payments for up to four months of rent, mortgage, and utility arrearages to help families stay in their existing housing;

    - one month's advance rent and a security deposit to help families locate new housing, and emergency shelter for homeless families, as needed.

In FY88, approximately 31% of all AFDC families used EA services totaling more than $40 million. These expenditures are partially reimbursed by the federal government. The average EA benefit received by AFDC families in FY88 was approximately $1,100 per year.

- AFDC Earned Income Disregards -- Approximately 6% of all AFDC families have some earned income. These families are eligible for a number of work-related deductions from countable, earned income. For example, all working recipients receive a $75 per month work-related expense deduction. Working recipients also receive a $30 per month earned income disregard for the first year of employment. Thus, at a minimum, these families are able to keep the first $105 per month ($1,260 annually) of their earned income without having their AFDC grant reduced. In addition, for the first four months an AFDC client has earnings, an additional one-third of these earnings are disregarded before calculating the household's grant.

- $50 Child Support Disregard Payment -- In accordance with the federal Deficit Reduction Act of 1984, the Department returns the first $50 of child support collected by the Department of Revenue on behalf of an AFDC family to the appropriate family without reducing its AFDC grant. Approximately 20% of the AFDC caseload receives a $50 child support payment in a given month. On an annual basis, a family may receive up to $600 in child support disregard payments. The actual value of child support disregard payments differs, depending on whether or not a client is receiving Food Stamp benefits. Under federal regulations, clients receiving Food Stamp benefits have their food stamps reduced when they receive a child support disregard payment. For every $10 in child support received, the family will lose about $3 in food stamps. Thus, for a family receiving food stamps, the annual value of child support disregard payments is about $420.

Other Benefits Available to AFDC Families

In addition to benefits and allowances available through the AFDC program, a number of other benefits are available to AFDC families. These benefits, which are provided by or funded through other state agencies and/or the federal government, include:

- Food Stamps -- Funded by the federal government and administered by the state, the Food Stamp program provides coupons that can be used by eligible families to purchase food. Effective October 1988, the maximum Food Stamp benefits available to an AFDC family of three in unsubsidized housing are $1,740 per year. (A family of three in public or subsidized housing receives up to $1,272 per year). Over 70,000 households, 92% of all AFDC families, participate in the Food Stamp program, an increase of 3% over FY88 participation levels. The fact that some AFDC households do not participate may be due to a number of factors including avoidance of the stigma attached to making purchases with Food Stamps, or living with another family not on assistance whose income makes the household ineligible for Food Stamps.

- Fuel Assistance -- Administered by the Executive Office of Communities and Development (EOCD), the Fuel Assistance program provides fuel payments for low income families. The program represents a joint effort by federal and state government to ensure that adequate heating and energy assistance is available to poor families in the Commonwealth. However, since FY87, annual federal funding for this program has been reduced by $18 million dollars. As a result, only $75 million in federal and state funds are available for the Commonwealth's fuel assistance program in FY89. The maximum amount of fuel assistance a family may receive this year has been reduced from $750 in FY88 to $675 per family in FY89. In addition, because of federal funding cuts, fuel assistance will only be available for five months in FY89, a two month reduction from FY87.

- Other Benefits -- Families receiving AFDC are often eligible for a variety of other federal and state programs including: continuing benefits for families whose children are temporarily placed in state care; AFDC special needs payments of up to $300 to purchase a crib and layette for families with newborn infants; free school breakfasts and lunches to needy schoolchildren; free transportation to medical appointments through Medicaid, if needed; and food supplements to women and children at risk because of inadequate income and nutritional insufficiencies through the Women, Infants and Children program.

IV. PROGRESS TOWARD IMPROVING THE ADEQUACY OF BENEFITS

In assessing the adequacy of benefits, it is worth noting the considerable progress made in recent years toward improving the adequacy of benefits. This section reviews the results of recent efforts on the part of the Legislature and the Administration to improve benefits available to AFDC families.

A. Increased AFDC Benefits and Expanded Eligibility for At-Risk Populations

As a result of initiatives authorized by the Legislature, benefits available to AFDC families have expanded significantly in the last six years. The following items summarize key measures of recent improvements in the adequacy of benefits for AFDC families.

- AFDC Benefits: Up 54% since FY83

Since FY83, the Administration and the Legislature have worked together to raise benefits for AFDC families. The cumulative result of these efforts has been a 54% increase in AFDC benefits for families living in unsubsidized housing since FY83. As the chart below indicates, the maximum grant has increased from $379 per month in FY83 to $539 per month in FY89 for a family of three. In addition, a $15 monthly rent supplement was added in FY87 for AFDC families in unsubsidized housing, and was increased to $40 per month in FY88. Between FY83 and FY88, the clothing allowance doubled from $75 per child to $150 per child.

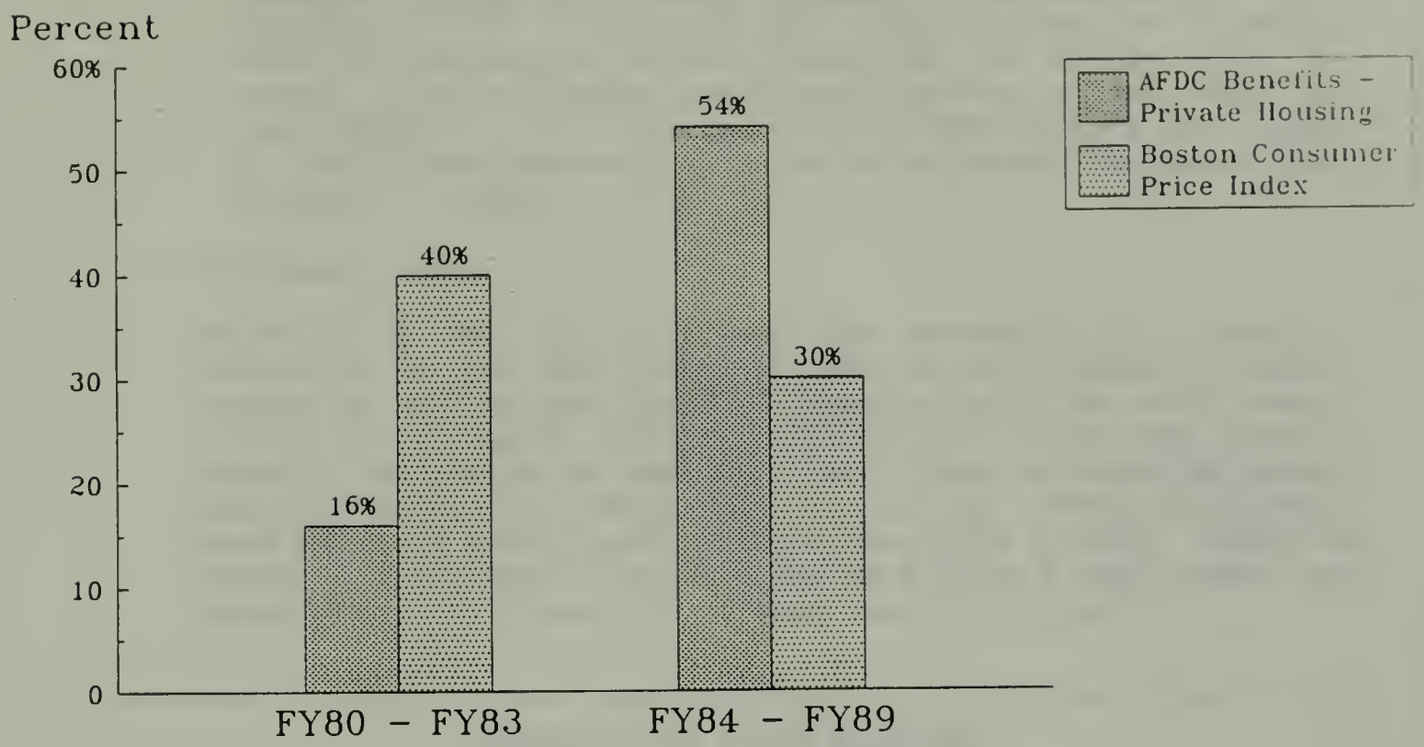
BASIC AFDC BENEFITS
FOR A FAMILY OF THREE

	FY83	FY89	Increase
Grant	$4,548	$6,468	+42%
Rent Allowance	0	480	N/A
Clothing Allowance	150	300	+100%
TOTAL	$4,698	$7,248	+54%

- AFDC Grants v. Inflation: FY80-FY89

As noted above, since FY83 the Administration and the Legislature have provided benefit increases which have outpaced inflation. Since FY83 benefits increased 54%, while inflation during this period was only 30%. In contrast, from FY80 to FY83, consumer prices increased by 40% as measured by the Boston Consumer Price Index, while AFDC benefits increased by only 16%. To the extent that basic AFDC benefits do not have the purchasing power they once did, a large portion of this decline in purchasing power is the result of insufficient benefit increases from FY80 through FY83.

AFDC BENEFIT INCREASES VS. INFLATION
FY80 – FY89



- AFDC Grant Levels: Massachusetts v. Other States

  As a result of benefit increases between since FY83, Massachusetts now pays the fourth highest AFDC benefits in the nation. Only Alaska, Connecticut and California pay higher benefits.

- Services to At-Risk Populations

  In addition to increasing benefits, the Department, with the support of the Legislature, has extended benefits to at-risk populations through a variety of initiatives, including:

  - Raising eligibility standards by 80% since FY83. This increase has allowed more low-income families to become eligible for AFDC benefits.

  - Providing Cash and Medical Assistance to Pregnant Women. Since FY84, low-income women in their first and second trimester of pregnancy (who are not eligible for AFDC under federal regulations) have been eligible for AFDC-level benefits at 100% state expense.

  - Providing Family Reunification Benefits. Beginning in FY85, the Commonwealth has provided Family Reunification Benefits at AFDC grant levels to families whose children are temporarily placed in state care. The program is designed to prevent families from becoming homeless as they prepare for the return of their children.

- Expanding Health Care Coverage Through the CommonHealth Program. Established in FY89, the CommonHealth program, the first phase of coverage under the Massachusetts Universal Health Care law provides health care coverage to disabled working adults, disabled children, pregnant women and young children, as well as up to two years of transitional health care coverage for families leaving welfare for work who do not receive affordable coverage through their employer.

- FY89 Benefit Increase

Effective July 1, 1988, AFDC grant levels were increased by 5.5%, raising the maximum AFDC grant for a family of three to $6,468 annually. Clothing allowance and rent allowance payments remained constant, so the overall increase in AFDC benefits was 5%. Federal food stamp benefit levels were raised on October 1, 1988, changing the grant for a family of three in unsubsidized housing from $1,704 in FY88 to $1,740 in FY89, a 2% increase. Overall, the combined benefit package of AFDC benefits and Food Stamps rose by 4.5%. Inflation as measured by the Boston CPI for this period was 6.3%; as a result, families' real income fell in FY89 by nearly 2%, or more than $150 per year.

BENEFITS FOR AFDC FAMILIES
(Family of Three in Private Housing)

	FY88	FY89	
AFDC			
- Grant	$6,120	$6,468	
- Clothing Allowance	300	300	
- Rent Allowance	480	480	
Total	**$6,900**	**$7,248**	+5.0%
Food Stamps	$1,704	$1,740	
Total	**$8,604**	**$8,988**	+4.5%

B. Benefits Compared to the Standard Budgets of Assistance

In the following comparisons of the benefits available to AFDC families to the Standard Budgets of Assistance, only AFDC benefits and Food Stamps have been included. Although, as noted, AFDC families may be eligible for and receive a variety of other benefits, only AFDC benefits and Food Stamps are received by the majority of AFDC families.

As shown below, AFDC benefits plus Food Stamps are 19% to 28% below the Standard Budgets of Assistance.

- AFDC Benefits v. Standards: Private Housing

In FY89, AFDC benefits for families in private, unsubsidized housing grew by nearly $400. As the chart below shows, AFDC benefits for clients in private housing represent 72% and 77% of the current standards for families inside and outside of metropolitan Boston and Cape Cod, respectively.

AFDC Benefits v. Standards
Private Housing

	FY89
AFDC Benefits	
Grant	$6,468
Clothing Allowance	300
Rent Allowance	480
Food Stamps	1,740
	$8,988
Private Housing Standards	
-- Metropolitan Boston and Cape Cod	$12,570
AFDC Benefits as a Percentage of Standard	72%
-- Outside Boston and not on Cape Cod	$11,708
AFDC Benefits as a Percentage of Standard	77%

- AFDC Benefits v. Standards - Public and Subsidized Housing

As a result of the FY89 benefit increases, AFDC clients in public housing receive $8,040 per year, an increase of nearly $400 over FY88 benefits. The chart below shows that, because of the FY89 increase, clients now receive benefits equal to 81% of the public housing standard.

AFDC Benefits v. Standards
Public Housing

	FY89
AFDC Benefits	
Grant	$6,468
Clothing Allowance	300
Food Stamps	1,272
Total	$8,040
Public Housing Standard	$9,922
% of Standard	81%

- AFDC Benefits v. Federal Poverty Line: FY83-FY89

The federal poverty line is another commonly used measure of the adequacy of benefits. AFDC benefits relative to the federal poverty level have risen significantly since FY83. For clients in private, unsubsidized housing, benefits, including available federal food stamps, are now 93% of the 1988 poverty line for a family of three. In FY83, AFDC benefits including food stamps equaled only 79% of the federal poverty line. As the chart below indicates, benefit increases between FY83 and FY89 have helped to restore the loss of purchasing power that occurred between FY79 and FY83.

Benefits to AFDC Clients
Relative to Federal Poverty Line
FY79 to FY89
(Family of Three)

	FY79 (12/78)	FY83 (1/83)	FY89 (10/88)
AFDC			
- Grant	$4,049	$4,548	$6,468
- Clothing Allowance	0	150	300
- Rent Allowance	0	0	480
	$4,049	$4,698	$7,248
Food Stamps	1,104	1,560	1,740
TOTAL	$5,053	$6,260	$8,988
Federal Poverty Level	$5,178	$7,938	$9,690
Percent	98%	79%	93%

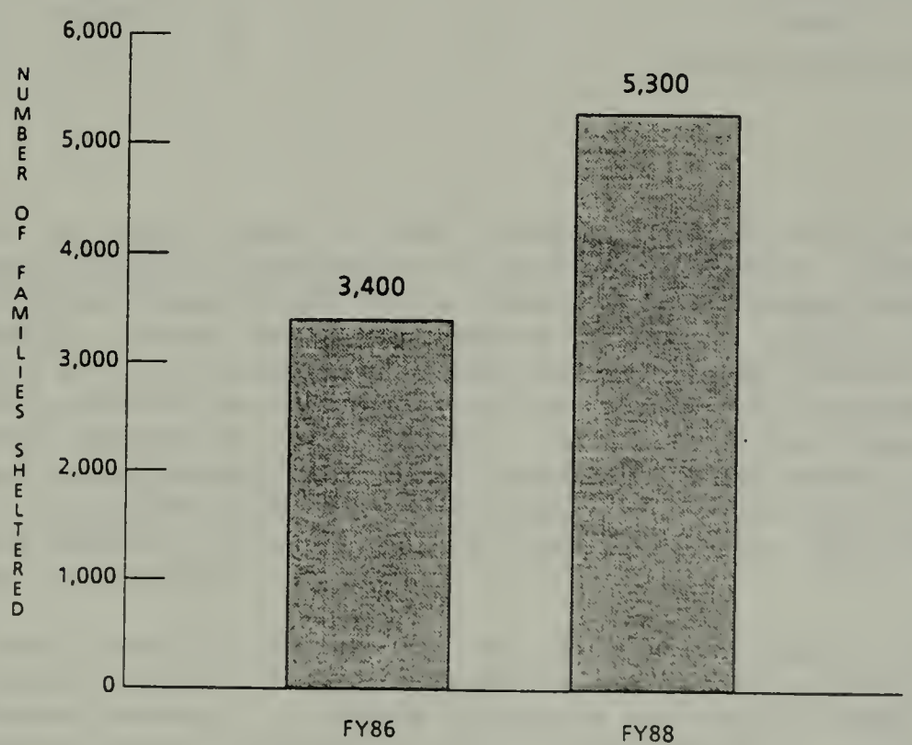
V. EFFORTS TO PREVENT AND ALLEVIATE HOMELESSNESS

With respect to the prevention and alleviation of homelessness, the Department faces a particularly difficult task in fulfilling its mandate under c. 118 §2. Although only a very small portion of all AFDC families are homeless (less than 2% on any given night), the unmet needs of these families are wide-ranging. This section of the report outlines the extent of homelessness among AFDC families and its causes, and reviews the services available to homeless families and families threatened with homelessness.

A. The Increasing Problem of Family Homelessness

Although fewer than 2% of AFDC families (about 1,100) are homeless at any given time, increasing numbers of homeless families are being served by the Welfare Department. Between FY86 and FY88, the number of homeless families sheltered by the Department of Public Welfare increased by more than 50%, from 3,400 to 5,300 annually. This year the Department expects to serve more than 6,000 homeless families. While some of this increase represents the Department's increased capacity to serve homeless families, it is clear that the incidence of family homelessness has increased substantially.

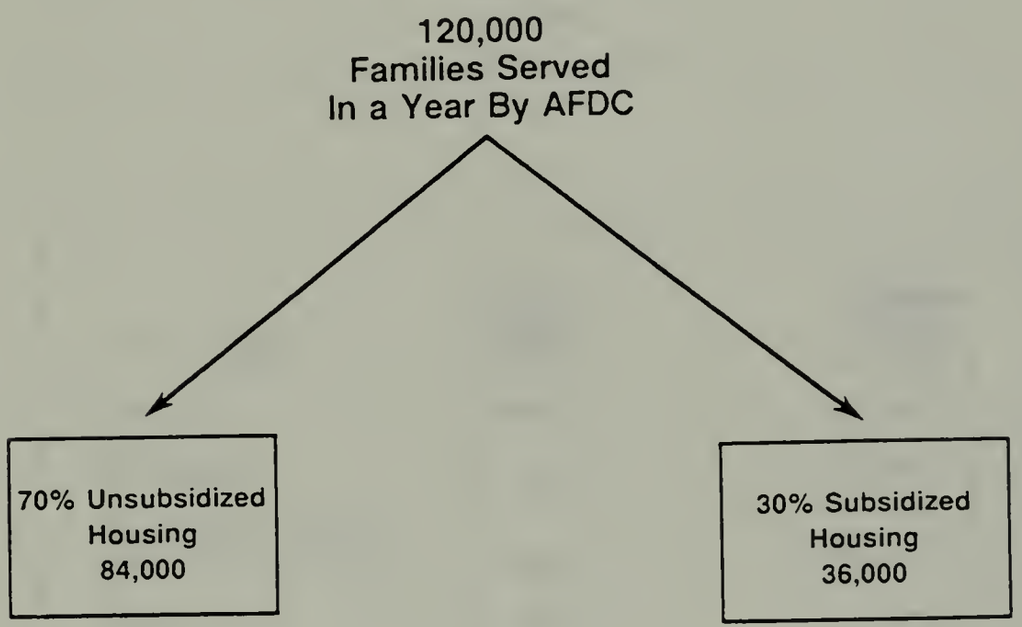
Families Sheltered by the Welfare Department up Over 50%



A major factor in the increase in the number of homeless families served by the Department is the Commonwealth's continued shortage of affordable low-income housing. Although it is the Department's firm policy that hotels and motels are to be used only as a last resort, the severity of the family homelessness problem continues to compel the Department to use hotels and motels to ensure that every homeless family has shelter. The network of family shelters is a key element in limiting hotel/motel placements.

1. The Lack of Affordable Low-Income Housing

More than 90% of the homeless families served by the Welfare Department are AFDC recipients. Families on Welfare, at the bottom of the income ladder, are those most in danger of losing their housing. Over the course of a year, approximately 120,000 different families make use of the AFDC program, the Commonwealth's primary public assistance program for families. Only about 30% of these families reside in subsidized housing. The remaining 70% (about 84,000) must compete in the private market for housing.



Access to public housing or other subsidized housing would substantially decrease the risk of homelessness for most AFDC families. Unfortunately, although the Commonwealth has an extensive array of housing programs, the demand for housing assistance far outstrips the available supply of subsidized housing in the Commonwealth. Waiting lists for housing assistance at local housing authorities in the Commonwealth are typically years long and growing. A recent report of the U.S Conference of Mayors noted that Boston has the longest housing waiting list of the 27 largest cities in the country. Although the state's existing supply of subsidized housing is a critical resource for low-income families, it is usually not a short-term solution for AFDC families in danger of becoming homeless.

A major factor in the shortage of affordable low-income housing in Massachusetts is the federal government's abandonment of its role in producing low-income housing. The federal government has virtually withdrawn from subsidized housing production at a time when affordable housing is most urgently needed. For example, in FFY79 the federal government added 15,000 subsidized units to the Commonwealth's low-income housing stock; by FFY87, however, new federal production had decreased to less than 2,000 new units. Moreover, the federal government has completely discontinued new production under its Section 8 and Public Housing programs. Nearly 18,000 units of existing federal housing stock in Massachusetts are in danger of being permanently lost in coming years, as use restrictions that required developers to provide affordable housing begin to expire.

Due to the scarcity of subsidized housing, most welfare families must compete in the private market for unsubsidized housing. The maximum monthly grant

that the Welfare Department is authorized to pay to an AFDC family of three (the average family size of recipients) is $579. As shown below, in the Commonwealth's tight housing market, where vacancy rates are frequently lower than 2%, such families are facing fair market rents which average higher than their total grant.

Maximum AFDC grant for a family of 3 = $579/mo.

Town	Fair Market Rent*	Increase From 1986
BOSTON	$803	+ 26%
CAMBRIDGE	803	+ 26%
CHELSEA/MALDEN SOMERVILLE/LYNN	692	+ 11%
WORCESTER	629	+ 15%
SPRINGFIELD	577	+ 21%
Avg.	$701	+ 20%

* 2 bedroom apartment

A recent study by the Center on Budget and Policy Priorities (a Washington, D.C. based research organization) noted that while "Massachusetts has one of the strongest systems of government assistance for the poor of any state", including one of the largest state low-income housing programs in the nation, that "[p]erhaps the most serious problem with the Massachusetts safety net is the severe shortage of low-rent housing." The report identified a serious mismatch between the number of very low income households and the amount of affordable housing available to them as a serious problem.

2. Other Causes of Homelessness

Although the shortage of affordable low-income housing is the major cause of family homelessness, social factors such as substance abuse, physical abuse, mental health problems, disruptive behavior, and other social problems are also a significant cause of family homelessness. Based on the reports of shelter providers and other direct service staff, the Department estimates that about one-third of homeless families are homeless primarily due to a non-economic reason. Up to one-half of long-term homeless families have serious social service needs which often make it difficult to secure and maintain new permanent housing.

B. State Efforts to Produce Affordable Housing

Given that the lack of affordable low-income housing is one of the primary causes of family homelessness, the Commonwealth, in contrast to the federal government, has made substantial commitments to producing more affordable housing. Since 1983, total state commitments of subsidized housing units have increased by 67%, from about 63,000 to over 105,000 in 1988. These commitments include:

- a total of $507 million in bond authorizations that will result in 5,425 units of public housing across the state, with 5,000 of these in place by the end of 1990; and

- the nationally recognized SHARP program which has supported the production of 9,500 units of mixed-income rental housing.

In addition, state financing has enabled thousands of units of existing public housing to remain available by providing funding for repair and rehabilitation of older units.

C. Preventing Homelessness Through Emergency Assistance

Although the majority of the 120,000 AFDC families each year must compete for unsubsidized housing in the private market, it is remarkable that fewer than 5% become homeless and are placed by the Department into emergency shelter any time during a year. At any given time fewer than 2% of AFDC families are homeless and residing in emergency shelter. The primary reason for this is the existence of the Emergency Assistance (EA) program. In 1983, the Administration and the Legislature substantially strengthened the Emergency Assistance program as a tool to help prevent families from becoming homeless. The Emergency Assistance program now offers extensive services to help prevent families from becoming homeless, including:

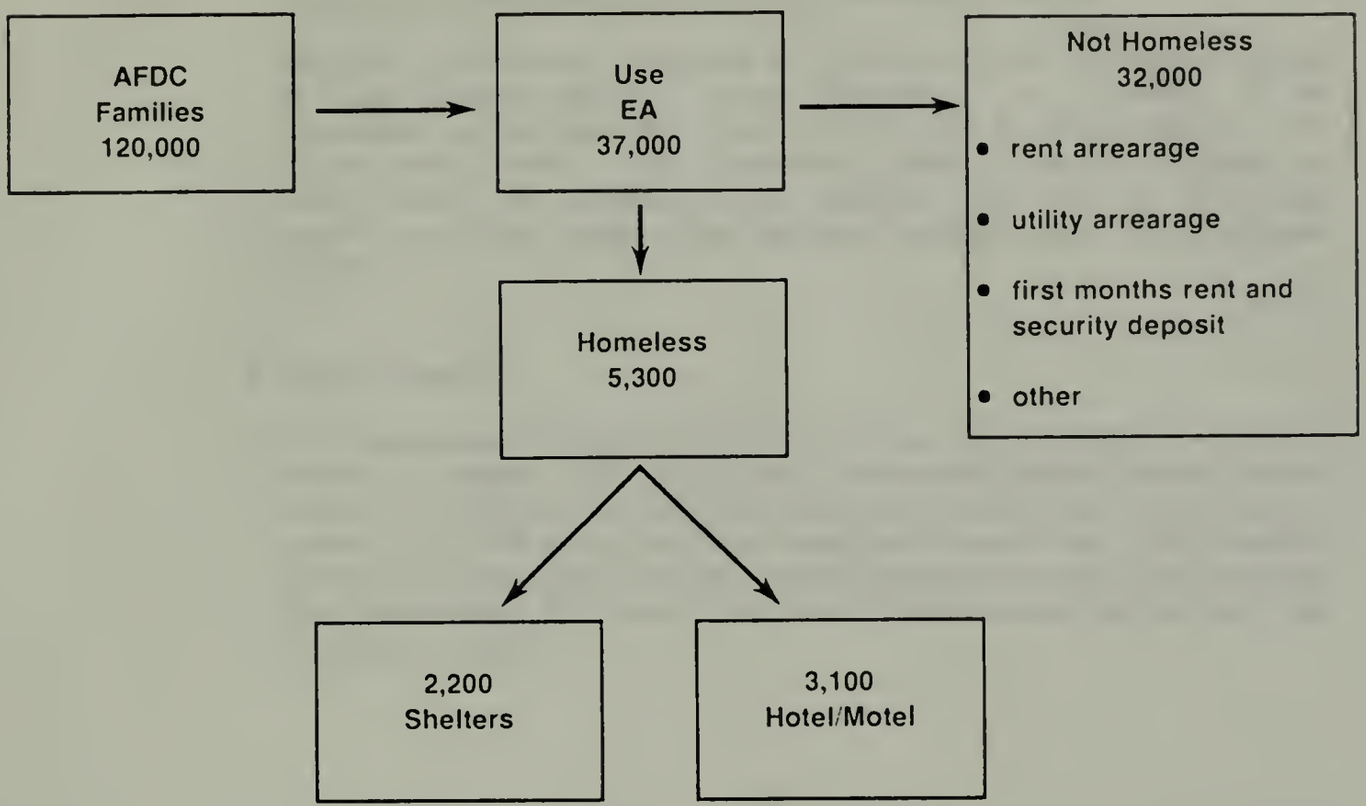
- payment of up to four months of rent and utility arrearages to help families maintain their tenancies;

- payment of one month's advance rent and a security deposit to help families secure new permanent housing; and

- other benefits, such as limited moving expenses and furniture storage.

During FY88, approximately 37,000 AFDC families (31% of the caseload) used Emergency Assistance services. Only one in seven (about 5,300) actually became homeless. About 32,000 AFDC families used EA services successfully in FY88 and did not become homeless. Emergency Assistance expenditures for prevention totalled more than $25 million in FY88. By this measure, the Department has prevented the overwhelming majority of AFDC families at risk of becoming homeless from actually becoming homeless.

Homelessness Prevention Through Emergency Assistance



D. Serving Homeless Families

Despite the services available through the Emergency Assistance program, a large number of families still become homeless. Since 1983, the Department and other agencies have expanded their capacity to serve homeless families, to meet the need for emergency shelter, and more importantly to help homeless families back into permanent housing.

1. Expanded Shelter Network

In 1983 there were only 2 shelters in the state, neither of which served families. The Welfare Department currently funds 100 shelters for the homeless, 68 of which serve families and have a capacity for over 500 families on any given night. The ability of the Department and non-profit agencies to bring additional shelter capacity on line has prevented the Department from having to rely more heavily on hotels and motels.

Although shelters are certainly not a solution to family homelessness, they are a necessary emergency service. The homeless shelters funded by the Welfare Department have been developed using a small community-based model. Shelters provide extensive services, including:

- 24-hour staffing;
- housing search assistance;
- assistance in applying for housing resources;
- referral to sources of other appropriate benefits; and
- family life skills counseling.

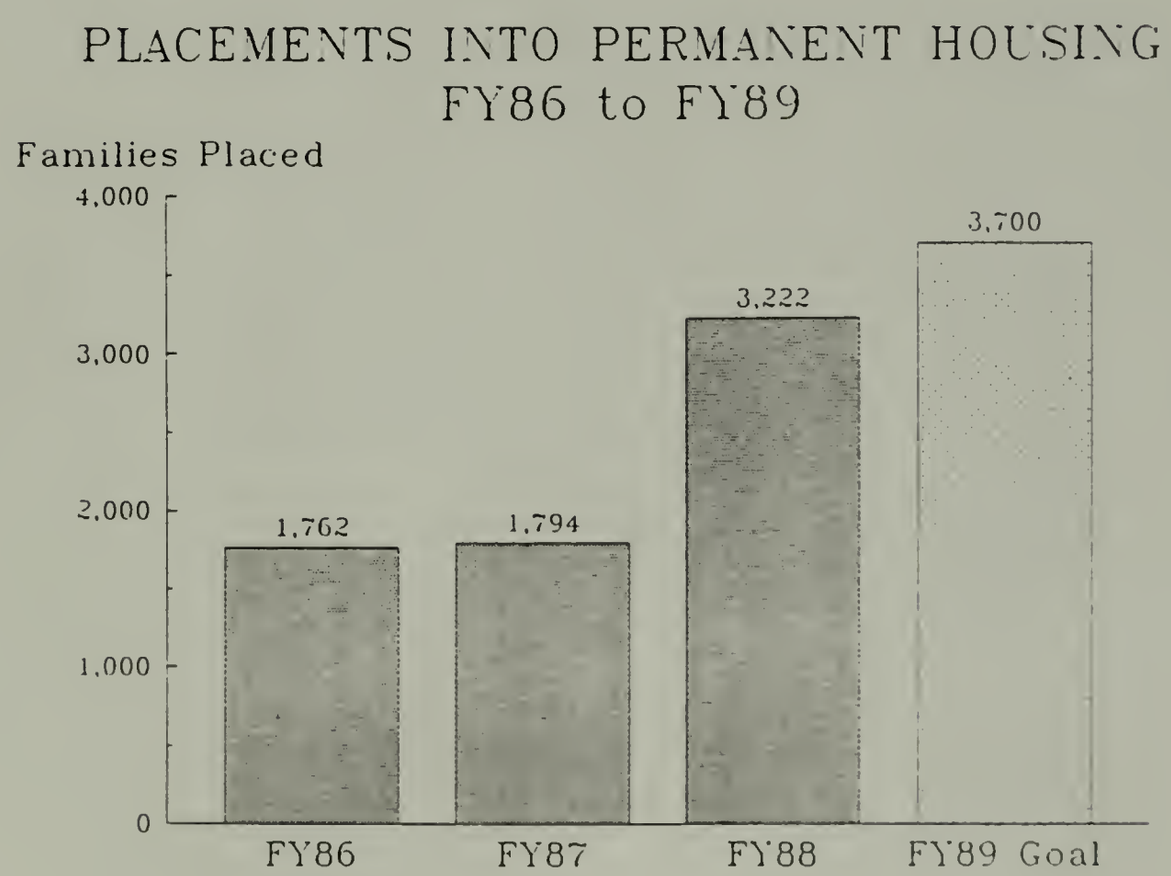
As a result, the average length of stay in a shelter is only about 60 days compared to about 90 days in a hotel or motel. The shorter length of stay contributes to a substantially lower per stay cost in a shelter.

2. Placing Homeless Families Back Into Permanent Housing

While the Department recognizes the need to provide emergency shelter to those families who do become homeless, it is a priority of the Department to minimize the amount of time that homeless families spend in emergency shelter. The Department funds a statewide program of housing search for families, which combined with the use of housing subsidies and other services helps homeless families secure new permanent housing.

- Housing Search

The Department first began providing housing search services to homeless families in August 1985. Since then, Department-funded housing search efforts have placed more than 8,800 homeless families back into permanent housing. In FY88 alone, the Department helped more than 3,200 homeless families find permanent housing, an 80% increase over the previous year. The Department's FY89 goal is to place 3,700 homeless families back into permanent housing.



Housing search services are provided by a combination of Department staff, staff in family shelters, and non-profit agencies who contract with the Department. Housing search workers provide homeless families with:

- assistance in applying for subsidies;
- counseling about housing needs, rights, and responsibilities; and
- help in finding apartments and in contacting and negotiating with prospective landlords.

- Housing Subsidies

A critical tool for helping homeless families obtain new permanent affordable housing is the use of rent subsidies. In FY86, in response to the growing number of homeless families in hotels, motels, and shelters, the Department and the Executive Office of Communities and Development (EOCD) established a special pilot program which provided 278 state-funded Chapter 707 rent subsidies to homeless families. Based on the success of this effort, the Legislature expanded funding for a pool of rent subsidies for homeless families in both FY87 and FY88. In FY88 alone, through the combination of special pool subsidies and a small number of federal resources, over 2,500 homeless families were placed into subsidized housing. In FY89 a similar number of families will likely receive subsidies funded through the EOCD budget. In total, FY89 expenditures on subsidies issued to homeless families since FY86 will exceed $43 million.

VI. CONCLUSION

The Department of Welfare faces a dilemma in fulfilling its obligations under G.L. c.18, § 2 (B) (g) and c.118, § 2 within existing appropriations. To provide AFDC benefits at the levels of the Standard Budgets of Assistance, the AFDC payment and need standards would have to be increased by 47% to 74%, depending on living arrangement. The Department is neither authorized to raise benefits to these levels, nor has sufficient funding been provided for this purpose in the FY89 budget.

Although AFDC benefit levels contribute to the problem, family homelessness is largely due to the scarcity of affordable low-income housing. A principal factor in this problem is the significant reduction in federal support for new low-income housing. The Commonwealth has increased its efforts to address this problem; however, the number of homeless families continues to increase. The fundamental lack of affordable housing cannot be addressed within the Department's authority and funding.

In compliance with the Supreme Judicial Court's decision, the Department requests that the Legislature provide a solution to these dilemmas.

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